

EXECUTIVE SECRETARIAT

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Remarks:

Executive Secretary

10/20/82

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OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

October 19, 1982


Executive Registry
82-12037/3

UNCLASSIFIED
(WITH SECRET ATTACHMENT)

MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF ENERGY
THE DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET
CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS
ASSISTANT TO THE PRESIDENT FOR
POLICY DEVELOPMENT
UNITED STATES TRADE REPRESENTATIVE
✓DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT Senior Interdepartmental Group on International
Economic Policy (SIG-IEP)

Attached please find the minutes from the SIG-IEP meeting
held October 15.


David E. Pickford
Executive Secretary

Attachment

UNCLASSIFIED
(WITH SECRET ATTACHMENT)

18 OCT 1982



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SENIOR INTERDEPARTMENTAL GROUP -- INTERNATIONAL ECONOMIC POLICY

October 15, 1982

3:00 p.m.

Roosevelt Room

Attendees:

TreasurySecretary Regan (Chairman)
Marc LelandEnergyHenry Thomas
Dennis O'BrienStateAllen Wallis
Richard McCormackOffice of the Vice President

Donald Gregg

DefenseSecretary Weinberger
Fred IkleOMBDavid Stockman
Fred KhedouriAgriculture

Richard Lyng

CEA

Martin Feldstein

Commerce

William Morris

OPDEdwin Harper
Roger PorterCIANSCHenry Nau
Richard Levine
William Martin
Norman Bailey (Executive Secretary)USTR

Ambassador William E. Brock

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The Chairman opened the meeting with a discussion of swapping U.S. grain for oil for the strategic petroleum reserve (SPR), a proposal the President had asked the SIG-IEP to review last August. The United States Government holds approximately \$900 million worth of grain which it could offer to barter for oil for the SPR. The group concluded that while technically feasible, such barterers are unlikely to be economically advantageous to the United States because: (1) DOE's current acquisition plans and existing contracts leave little room for additional purchases in FY 73; (2) additional exports by Nigeria and/or Indonesia in the form of barter would reduce pressure on them to cut their prices; and (3) U.S. legislative requirements strictly limit the possibility of such trades. It was also noted that Indonesian oil is not of suitable quality for the SPR, although it might be attractive to private buyers. The possibility always exists of private sector counter-trade agreements involving the export of U.S. grain in exchange for commodities which private firms expect to sell at a profit. The Chairman said that the consensus of the

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group was that the Government should not pursue barter arrangements as it is not apparent that barter arrangements would offer advantages that are not offered by conventional market operations.

The next agenda item was agricultural trade. Large crops, low farm income and subsidized EC exports have led to political pressure in the United States for U.S. export subsidies. The SIG-IEP heard Deputy Secretary Lyng and approved the recommended short term strategy presented which is to use \$100 million of the \$175 million authorized by the Omnibus Reconciliation Act of 1982 to promote exports. The remaining \$75 million will be set aside as a reserve. In addition, the Chairman concluded that we need a long term strategy. It was agreed that USDA, together with STR, would prepare a paper setting forth the long term strategy. This paper would be ready for IG review in the next four weeks and by the SIG-IEP after the GATT Ministerial. In the meantime, it was agreed that until a long term strategy is worked out no further new actions, such as further draw down of funds provided for in the Omnibus Reconciliation Act of 1982 or disposal at below cost of U.S. dairy stocks, would be taken.

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